

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7063**

**BILL NUMBER:** HB 1382

**NOTE PREPARED:** Jan 10, 2011

**BILL AMENDED:**

**SUBJECT:** Video Franchise and Satellite Service Fees.

**FIRST AUTHOR:** Rep. Thompson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill reduces the maximum franchise fee from 5% to 4% for providers of video service that provide video programming and other programming service through facilities located at least in part in a public right-of-way. It imposes a direct broadcast satellite service fee on direct broadcast satellite service providers at the same percentage rate of gross revenue as the cable service franchise fee rate in effect in a local government unit on December 31, 2010.

The bill permits the fee to be passed through to customers of the provider. It requires a provider to remit the fees quarterly to the Department of State Revenue. The bill also requires a provider to submit a quarterly report to the Department indicating a provider's gross revenue and the amount of fees paid with respect to each unit. It requires the Department to publish the direct broadcast satellite service fee rates before August 1, 2011. It requires the Department to distribute the fees quarterly to each unit.

**Effective Date:** July 1, 2011; January 1, 2012.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* This bill requires the DOR to collect the direct broadcast satellite service fee (established in this bill) from providers and distribute the fees quarterly to the respective local units of government. The DOR is also required to publish the direct broadcast satellite service fee rates before August 1, 2011. These provisions will increase the workload of the DOR, but could be covered under existing resources.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Direct Broadcast Satellite Service Fee:* This bill would increase local revenues by an indeterminable amount. Beginning in CY 2012, this imposes a direct broadcast satellite service fee on direct broadcast satellite service providers at the same percentage rate of gross revenue as the cable service franchise fee rate in effect in a local government unit on December 31, 2010. This fee will only be imposed in localities that had a cable service franchise fee in effect as of December 31, 2010. Providers may pass the fee on to their customers. Providers will pay the direct broadcast satellite service fees quarterly to the DOR, and the DOR will distribute the fees to each unit on a quarterly basis.

*Cable Service Franchise Fee:* This fee varies by local government unit, but the maximum franchise fee allowed under current statute is 5%. This bill reduces the maximum franchise fee to 4%. Data is not available to determine the number of local units with a cable service franchise fee rate above 4%. For local units with a cable rate between 4% and 5%, the decrease in revenue would be offset by the revenue generated by the direct broadcast satellite service fee. For all other local units, there would be an increase in revenue generated from direct broadcast satellite service fees.

According to data available in the Local Government Database, taxing units have budgeted about \$20 M in revenue from the cable service franchise fee in CY 2010. The franchise fee is paid quarterly, within 45 days after the end of each calendar quarter. So, under current law the third quarter of 2012 fee is payable by November 15, 2012, and the fourth quarter fee is payable in February 2013

**State Agencies Affected:** DOR

**Local Agencies Affected:** Local government units.

**Information Sources:** Local Government Database, DLGF.

**Fiscal Analyst:** Diana Agidi, 317-232-9867.